

MACOMB COUNTY FINANCE DEPARTMENT

COUNTY BUILDING - 12TH FLOOR

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June 28, 2005

To the Citizens of Macomb County

The Comprehensive Annual Financial Report (CAFR) of Macomb County, Michigan for the fiscal year ended December 31, 2004, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

State law requires that all general purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of Macomb County. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these presentations, County management has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Macomb County's financial statements have been audited by PricewaterhouseCoopers LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended December 31, 2004 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended December 31, 2004 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of Macomb County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the County's separately issued Single Audit Report.

The Fiscal Year 2004 Comprehensive Annual Financial Report is issued pursuant to the requirements of Governmental Accounting Standards Board (GASB) Statement No. 34 - Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as amended by GASB Statement No. 37 - Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments - Omnibus and Statement No. 38 - Certain Financial Statement Note Disclosures. Readers of our 2004 Comprehensive Annual Financial Report will notice two statements, entitled Statement of Net Assets and Statement of Activities. These statements will provide readers with the financial position of Macomb County viewed as a single entity. The GASB statements also require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Macomb County's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF MACOMB COUNTY

Macomb County is located in Southeastern Michigan and comprises the northeastern portion of the Detroit Metropolitan Area. The County encompasses 482 square miles, and ranks third in both population and State Equalized Value of all 83 counties in the state. According to the 2000 census, there are 788,149 persons living within 27 municipalities in Macomb County including three of the largest communities in Southeast Michigan: the City of Warren (2nd), the City of Sterling Heights (3rd) and Clinton Township (7th). The cities of Warren and Sterling Heights enjoy the third and fourth highest populations of all cities in the State of Michigan, following only Detroit and Grand Rapids. The County seat is located in the City of Mount Clemens.

Macomb County's governmental structure is defined by the State Constitution and the general laws of the State of Michigan. The County's legislative body, and its administrative body for most functions, is the County Board of Commissioners. Currently, there are twenty-six commissioners elected by direct vote from single-member districts.

The Treasurer, Clerk/Register of Deeds, Prosecutor, and Sheriff are offices established by the State's constitution. A Public Works Commissioner was established as an elected position in 1909 and currently operates under Public Act 40 of 1956, the Uniform Drain Code. The above offices are countywide elected with four-year terms. The Treasurer is responsible for collection of delinquent property taxes, property tax settlements with local units of government, cash management and investments. The Clerk/Register of Deeds is responsible for recording vital statistics, maintaining court records, Board of Commissioner proceedings, and documents affecting property ownership. The Sheriff and Prosecutor are responsible for law enforcement. The Public Works Commissioner is responsible for construction and maintenance of drains, lake level control and sewer interceptors.

The Macomb County Courts consist of the Sixteenth Circuit (including Family Court), Probate and 42nd District Courts. The Circuit Court has jurisdiction over criminal cases where the minimum penalty is over one year incarceration, civil damage cases where the controversy exceeds \$25,000, and domestic relation matters. The Macomb County Probate Court consists of two divisions: Wills and Estates and Mental. The Wills and Estates Division administers estates for deceased persons and appoints guardians for minors and legally incapacitated adults. The Mental Division accepts petitions and holds hearings on the hospitalization of individuals who are in need of mental health services and appoints guardians when necessary. The 42nd District Court has jurisdiction over misdemeanors, ordinance and charter violations, civil cases under \$25,000, and preliminary examinations in felony cases.

A consideration in preparing the CAFR for the County was the identification of the reporting entity. Various potential component units were evaluated to determine whether they should be reported in the County's CAFR. A component unit was considered to be part of the County's reporting entity when it was concluded that the County was financially accountable for the entity or the nature and significance of the relationship between the County and the entity was such that exclusion would cause the County's financial statements to be misleading or incomplete.

This Comprehensive Annual Financial Report includes all the funds of the County and the funds of the Macomb/St. Clair Workforce Development Board (Michigan Works!), the Martha T. Berry Medical Care Facility, the Macomb County Parks and Recreation Commission, the Macomb County Library Board, the Macomb County Social Services Board, the Macomb County Public Works Commission, the Macomb County Community Mental Health Board, the Macomb County Employees Retirement System, the Macomb Retiree Health Care Board, the Macomb County Building Authority, the Macomb County Criminal Justice Building Authority and the Macomb County Road Commission. Not included are the funds of Macomb Community College and Macomb Intermediate School District as well as various cities, townships, villages and local school districts which have not met the established criteria for inclusion in the reporting entity and accordingly are excluded from this report.

The Building Authorities have been combined with the financial statements of the County in accordance with the Statement on Michigan Governmental Accounting and Auditing No.2-Accounting and Financial Disclosures of Building Authorities-as issued by the State Treasurer.

ECONOMIC CONDITION

Macomb County remains in excellent financial condition, as demonstrated by the financial statements and schedules included in this report. The assessed value of the taxable property supporting the County's 2004 operations (the 2003 taxable value) was approximately \$25.6 billion, an increase over the prior year of \$1.4 billion, or 5.8%. The economic base of the County is continuing to increase. The 2004 valuation (to fund 2005 operations) shows an increase of 5.5% over the 2003 valuation. The County's tax base expansion has averaged 6.5% over the last seven years.

Macomb County is located within five hundred miles of one half of the United States' population and a major portion of the Canadian market. The County is linked to these important areas by an extensive transportation network consisting of highways, rail, and air. In addition, the County's eastern boundary borders Lake St. Clair which links Lakes Huron and Erie giving the County direct access to the world's busiest international waterway. Macomb County is the location of choice for manufacturers because of an abundance of industrial land ready for development, a highly skilled labor force, a strong local economy and local government support for County wide economic expansion.

There are more than 2,000 manufacturing businesses located in Macomb County, including major facilities of each of the Big Three automotive companies including the General Motors Technical Center, the world's largest engineering and design center. Macomb County is also headquarters for General Motors North American Operations. Macomb is the only county in the nation with two DaimlerChrysler assembly plants - and also the only county with two DaimlerChrysler stamping plants. At two million square feet, DaimlerChrysler's Sterling Heights Stamping Plant is the largest of all of its stamping operations. In addition, more than 40 Fortune 100 companies have facilities in Macomb County.

Macomb County contains approximately 22,000 acres of industrial and institutional land. The County is positioned well for more growth due to the fact that its land is only 50 percent developed. It is significant to note that Macomb County already has sufficient sewer and water capacity to serve the undeveloped balance of the County. The combination of these factors makes Macomb County a strategic location for manufacturing facilities in the Midwest. New and ongoing construction of full service industrial parks, manufacturing plants, office centers, research and development facilities, retail centers and residential construction continue to expand the existing economic base.

People are one of the County's richest resources. From college degrees, to high tech training, to practical experience, Macomb's work force of over 400,000 has it all. Macomb County continues to be a major manufacturing center, however the County experienced a major shift in employment during the decade of the 1990's as it diversified its employment base away from manufacturing to the service sector. The percentage of total County jobs in the manufacturing sector decreased from 35% in 1980 to 26% in 2000. Adding definition to Macomb's robust and diverse work force is an agricultural heritage most evident in the northern portions of the County, where second and third generation farmers maximize nature's wealth.

There has been substantial industrial development in the County over the past thirty years. A mile wide industrial corridor 12 miles long, located between Mound and Van Dyke Roads, includes large industrial establishments including General Motors Technical Center, DaimlerChrysler Corporation's Warren Truck Assembly Plant, Sterling Heights Stamping Plant, Sterling Heights Assembly Plant and the paint and vinyl plants of Ford Motor Company, as well as the Detroit News and Detroit Free Press Sterling Heights printing plant and General Dynamics Land Systems. General Dynamics designs, manufacturers and supports armored weapons systems and electronic products for the U.S. Army.

Electrical service is provided by the Detroit Edison Company. Consumers Energy Company and the Southeast Michigan Gas Company supply natural gas. All three utilities have the capacity to supply large industrial customers. SBC provides telephone service.

Municipal water and sanitary sewer service is available in most of Macomb County's urbanized areas. Large tracts of vacant industrial and commercial land have access to these services.

There are over 4,165 retail trade establishments conveniently located throughout Macomb County offering the consumer a full range of products and services. The Southeast Michigan Council of Governments reports that in 2004 Macomb County investors completed 2,578,637 square feet of non-residential floor space with an additional 2,897,770 square feet of non-residential space under construction.

Several large shopping malls are located in the County including the Macomb Mall located in the City of Roseville and Lakeside Shopping Center located in the City of Sterling Heights. Lakeside Mall opened in 1976. It is the area's largest shopping mall and employs approximately 2,200 people. This multi-level, enclosed, climate-controlled regional mall is located on 545 acres and has 51 acres of lakes, parking lots for 8,000 vehicles and 1,485,000 square feet of gross leasable space. The major stores in the mall are Marshall Field's (206,000 square feet), J.C. Penney (215,000 square feet), Sears (312,000 square feet) and Lord & Taylor (160,000 square feet). There are approximately 180 other mall stores, specialty shops, restaurants and other retail spaces in the mall.

Higher education is available to County residents at Macomb Community College, Baker College and Davenport University.

Macomb Community College, (MCC) has three campuses located in the County which offer 127 degree and certificate programs as well as continuing education courses, counseling, cultural activities and community services to a current enrollment of 27,000 students. The College operates the 1,200 seat Macomb Center for the Performing Arts, which is one of the finest facilities of its kind in the State of Michigan. MCC is accredited by eleven state, national and occupational associations, including the North Central Association. The College now has a Bachelors Degree Partnership Program. This program, in conjunction with Wayne State University, Central Michigan University, University of Detroit/Mercy, Oakland University and Walsh College offers fifteen different Bachelor Degree programs.

Baker College of Clinton Township has an enrollment of over 4,000 students. It is accredited by the North Central Association of Colleges and Schools and offers a variety of Certificates, Associate's, Bachelor's and Master's degree programs. Baker College recently completed a multi-million dollar expansion of its Clinton Township Campus including a Student Center and a 40,000 square foot classroom building.

There are 240 public and 53 non-public primary and secondary schools throughout the Macomb Intermediate School District. In addition to the standard curriculum, direct services for special education students are provided through three schools for the handicapped, a nursing home, the Macomb Regional Center, a special education work activities program, programs for the severely emotionally impaired, and the Continuing Education for Youth Program. Macomb County's public schools also provide a variety of vocational and job training programs through its high schools and vocational skill centers.

The students of Macomb County are also served by a number of other institutions located outside of the County. These include Lawrence Technological University, Oakland University, University of Detroit/Mercy, University of Michigan-Dearborn, Wayne State University and Walsh College.

Eight general hospitals with a capacity of over 2,000 beds serve the area. There are also several special care facilities and 24 private nursing homes within the County.

A full range of family living quarters is available in Macomb County including residential facilities in modern urbanized areas, rural settings, historic villages and scenic waterfront sites along numerous inland lakes and the shoreline of beautiful Lake St. Clair. There is a wide range of affordable housing throughout Macomb County. The median value of an owner-occupied housing unit in 2000 was \$139,200. The vast majority of Macomb County's housing, 76 percent, is owner occupied, ranking it among the highest in the nation.

There are 6,500 acres of parkland located in Macomb County offering picnic sites, fishing, swimming, nature hiking and boating facilities.

Approximately thirty miles of shoreline along Lake St. Clair provide access to fun and sports on the waters of the Great Lakes. Public and private marinas provide docking facilities for more than 9,000 boats, ranking Macomb County first in the State of Michigan in the number of boat slips available at its marinas.

Several highways and thoroughfares traverse Macomb County providing regional and statewide continuity for movement of people, goods and services. Interstate 94 runs along the eastern border of the County and continues across southern Michigan to Chicago. Interstate 696 crosses the southern portion of the County providing a vital link between I-94 and I-75. M-53 helps provide an important link to the "Thumb Area" of the State. M-59 provides an East-West link between I-94 and I-75 across the County's midsection, paralleling I-696, which is, located nine miles to the south.

Macomb County has nearly 70 miles of main line railroad tracks owned by two companies, CONRAIL and Grand Trunk Western Railroad. CONRAIL operates a service line along the western portion of the County serving the area's primary industrial corridor. This area is commonly referred to as the "Golden Mile" because of its large concentration of major industrial facilities. The Grand Trunk Western line serves the eastern portion of the County and connects Detroit-Windsor to the Port Huron-Sarnia area.

MAJOR INITIATIVES

General Dynamics, the defense industry's largest supplier of armored military vehicles, has chosen Sterling Heights over sites in Florida and South Carolina to expand its research and development operations. The \$6.6 million expansion will create 325 jobs. General Dynamics Land Systems Division, headquartered in Sterling Heights, has been awarded a nearly \$2 billion contract by Boeing Company to design and build manned ground vehicles for the U.S. Army's Future Combat Systems Program. This contract is the largest ever for the Sterling Heights division. Previous high marks were a \$712 million contract in 2000 for a Marine Corps fighting vehicle and a \$196 million contract for the Abrams Tank, awarded in 1976. The company will be producing 18 prototypes: eight combat vehicles, six command and control vehicles, and four reconnaissance vehicles to be completed by 2009.

Construction crews have begun to clear the land along a high profile stretch of Hall Road in Macomb Township for Beaumont Hospital's first major development in Macomb County. Beaumont will develop 15 of the 25 acres at Tilch and Hall Road for the 123,000 square foot facility. Included in the first phase of the development will be a 75,000 square foot, four story physicians building. A two story 53,000 square foot

building will be connected and offer a number of outpatient services, including MRIs, CT scans and ultrasounds. Also included in the complex will be two classrooms that can be used by the hospital and the public for community education classes. The remaining 10 acres will be kept for development and expansion by Beaumont. Officials expect the state of the art complex, which they say will offer the latest in medical and communication technology, to be completed by July 2006. The development of the \$50 million office and ambulatory care facility follows continual residential, retail, and office growth in the communities bordering M-59. Beaumont's only Macomb County facility now is a medical office building on Dequindre near M-59 in Sterling Heights, across the street from its Troy hospital.

Meanwhile, St. John officials are planning to construct a \$20 million ambulatory care facility at 23 Mile Road and Romeo Plank. It will be the second major facility in Macomb Township for St. John, which was one of the first major Metro Detroit health systems to expand north of Hall Road a decade ago with a medical center on Romeo Plank near 21 Mile.

Construction of a \$52 million elective surgery center by Mount Clemens General Hospital on its campus near Harrington and Groesbeck is nearing completion. The North Tower Surgery Center will include eight operating rooms with space to expand to ten.

Bloomfield Hills based Taubman Centers Inc. is hoping to begin development of a 590,000 square foot shopping center in Clinton Township called Partridge Creek Fashion Park in the spring of 2005. Taubman has proposed a shopping center that would be anchored by two department stores and would feature outdoor walkways with 260,000 square feet to 300,000 square feet of space for specialty retailers, five marquee restaurants and a 12-screen movie theater. While Taubman calls its outdoor shopping centers fashion parks, most retail developers refer to such centers as lifestyle centers because of their high concentration of restaurants, entertainment and specialty retailers.

Several hundred single-family homes and condominiums, plus stores and office buildings comprise a proposed massive development on one of the most prime parcels in southeastern Michigan. Farmington Hills based Grand Sakwa has submitted plans for a 312-acre development along Mound Road, across from the General Motors Technical Center in Warren. The project includes: 203 single family homes on 60 foot lots, 244 duplex condominiums, "Four-plexes" containing 204 condominiums and "Twelve-plexes" with 312 units, and two 4 story senior citizen apartment buildings totaling 150 units. This massive development will also include office, commercial and retail businesses at the corners of Mound and 13 mile Road, Mound and 12 Mile Road, and halfway between the two mile roads.

The first seven miles of the Macomb Orchard Trail was open to the public in July. The ten-foot wide asphalt trail follows the abandoned Grand Trunk Railroad; passing through scenic areas and over rustic railroad bridges that span over brooks, rivers, and designated trout streams. Once the entire 23-mile long trail is completed, users will have a safe pedestrian friendly environment to exercise and explore diverse urban and rural landscapes. Locally it will connect residents to parklands, downtowns, businesses, schools, residences and open spaces. Regionally, it will provide a connection from St. Clair County to Oakland County and on a state wide basis it will join the interconnected trail system that will ultimately link Lake Huron to Lake Michigan.

Safie Specialty Foods will be establishing a new 14,000 square foot food processing facility in Chesterfield Township. The company produces gourmet pickles from locally grown hand picked cucumbers, peppers and beets. The products are then packed into artfully labeled Mason-style jars and distributed widely across the Midwest and most recently, into Asia. The company will be investing more than \$1.5 million in the construction of the facility and the acquisition of new machinery and equipment.

A Clinton Township based company, Complete Prototype Services has opened an additional facility in the City of Fraser. CPS is a manufacturer of prototype and production molds for injection molded plastic products, as well as a producer of plastic components for automobile interiors. The company acquired a 60,000 square foot manufacturing facility located on James J. Pompo Drive in the Fraser Industrial Park and invested more than \$3.1 million in the acquisition of new machinery and equipment for the plant.

Copo U.S.A., Incorporated, a subsidiary of the Pontevedra, Spain based Grupo Copo, has selected a Shelby Township site for the establishment of a new manufacturing operation. At the 60,000 square foot facility, located on 26 mile road, Copo will be manufacturing automobile seating components for several OEMs. The company's plans include a future 30,000 square foot expansion of the facility and the addition of a second shift. Copo expects to create up to 130 new jobs by the end of 2006.

DaimlerChrysler plans to invest more than a quarter of a billion dollars in it's Sterling Heights Assembly Plant for the production of three new midsize cars that will replace the Chrysler Cirrus, Sebring Convertible and Dodge Stratus for the 2007 model year. The new vehicles will have all-wheel drive and diesel operations in addition to a right hand drive feature for vehicles to be sold outside of the United States. DCX is also investing \$28 million into the Sterling Stamping Plant. Chrysler will spend another \$228 million at it's Sterling stamping plant on robots, tooling and dies. DCX's 2.7 million square foot Sterling Stamping Plant, at 15 Mile and Van Dyke, employs 2,611 full-time employees who produce automotive stampings and sub- assemblies.

General Motors Corporation has proceeded with a \$350 million investment at it's Powertrain Plant at Nine Mile and Mound Roads. The investment will allow GM to produce 6 cylinder automatics at the plant, saving 518 jobs. The project will generate an estimated \$17 million in new tax revenue for the City of Warren over a period of 12 years beginning in 2006.

The Southeast Michigan Council of Governments (SEMCOG) reported that Macomb County had the third highest number of net new housing units in the seven county region in 2004. The 5,209 net new housing units were an increase of 3% over the 5,065 for 2003. Five of Macomb County's cities and townships ranked in the top ten communities in the region for total units authorized in 2004. Macomb Township ranked first in the region with 1,086 units authorized followed by fourth place Shelby Township at 893, Clinton Township at 776, Chesterfield Township at 663 and the city of Sterling Heights with 603 units.

The Southeast Michigan Council of Governments also reported that Macomb County added the most people (34,300) and the most households (21,200) of any county in southeast Michigan between the 2000 U.S. Census and July 2004. Wayne State University's Center for Urban Studies released data showing that Macomb County attracts more residents from it's neighboring counties than it loses, which, when combined with new residents from outside the tri-county area makes Macomb County the growth leader in the seven county region.

Macomb County's annual unemployment rate for 2004 of 6.7 percent compared favorably with the Michigan unemployment rate of 7.1 percent. The National unemployment rate was 5.0 percent.

Since its inception in the year 2000, the Macomb County Senior Prescription Drug Discount Program has saved senior citizens over \$17 million. Applicants must be age 60 or over, a resident of Macomb County and have no prescription coverage. Seniors save an average of 30 percent on each prescription. There is also a mail-order component, which gives seniors an even bigger discount. The Macomb County Senior Prescription Drug Discount Program was the first of its kind in the nation.

Macomb County won an important first round victory in it's fight to keep Selfridge Air National Guard Base and the Detroit Arsenal (TACOM) operational. The County Board Chair brought together a highly professional and diverse group of community leaders to protect Selfridge and TACOM from the reduction efforts of the Department of Defense Base Realignment and Closure Commission (BRAC). The community leadership group is being credited with securing the six thousand jobs at both installations as a result of the comprehensive testimony they provided to the BRAC. Although the final recommendation of the Base will not be know until September, Selfridge and TACOM were not among the 33 major bases included in the initial base-closing list. If the current proposal wins final approval in September, TACOM would actually gain 647 highly skilled jobs and Selfridge would lose a total of 300 civilian and military jobs for a net countywide gain of 347 jobs.

FINANCIAL INFORMATION

As demonstrated by the statements and schedules included in the financial section of this report, the County continues to meet its responsibility for sound financial management.

Budgeting Controls. The County maintains budgetary controls that are designed to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Macomb County Board of Commissioners. Activities of the general fund and special revenue funds are included in the annual county budget. Project length financial plans are adopted for the capital projects funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function and activity within an individual fund. The County also maintains an encumbrance accounting system as one technique of accomplishing budgetary control on a line item basis.

Pension Trust Fund. The County has a Defined Benefit Pension Plan referred to as the Macomb County Employee's Retirement System (MCERS). It is worthy to note that MCERS is fully funded. The annual actuarial valuation continues to reflect a positive trend in the funding of the MCERS. A detailed discussion of the performance of Macomb County's pension plan can be found in the notes to the financial statements.

Health Care Trust Fund. The County also began to pre-fund Retiree Health Care benefits through the establishment of a trust for that purpose in 1997. The trust held funds in excess of \$83 million at year-end, which are restricted for future payment of Retiree Health Care expenses. The County's long term goal is to fully fund its Retiree Health Care liability.

Debt Administration. Macomb County has received the highest possible credit rating from both Moody's Investors Service (Aaa) and Standard & Poor's (AAA), two of the country's most prestigious Wall Street rating agencies. Only two other counties of 83 in Michigan and 34 other counties of 3,066 in the nation enjoy this distinction. A detailed discussion of Macomb County's long-term debt can be found in the MD&A as well as the notes to the financial statements.

Cash Management. Cash temporarily idle during the year was invested by the County Treasurer. Investments, except those of the Retirement Systems and Deferred Compensation Plan, are administered by the Treasurer in compliance with the provisions of Public Act 20 of 1943 as amended. Significant policies include:

- Investments of the County are held in the County's name.
- Investments are in U.S. Treasury obligations, banker's acceptances, certificates of deposit, and commercial paper top rated by not less than two of the four rating services: Standard and Poors, Moody's Investors Service, Fitch Investors Services and Duff and Phelps.
- Only federal and state-chartered banks and savings institutions, which are members of FDIC, are utilized.
- State law requires the use of in-state banks.

The County's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Additional data related to investments is listed in the notes to the financial statements. The County's investment policy is reviewed periodically by the Board of Commissioners.

Risk Management. The County is partially self-insured for losses of a general liability nature up to \$500,000 per claim. Liability claims at the Martha T. Berry Medical Care Facility are self insured by the County up to \$1 million in the aggregate. The County is a defendant in various lawsuits in which plaintiffs seek damages of an indeterminable amount. The General Liability Internal Service Fund has been established to account for the self-insured aspects of this program. The Risk Management and Contingencies and Commitments notes to the basic financial statements contain additional information concerning risk management. The Statistical Section of the CAFR includes a complete schedule of insurance coverage maintained by the County.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Macomb County for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

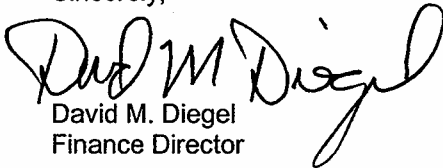
A Certificate of Achievement is valid for a period of one year only. Macomb County has received a Certificate of Achievement for the last nineteen consecutive years. We believe that our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA for consideration.

The National Association of Counties (NACo) recognized Macomb County for its commitment to excellence by awarding the County fourteen NACo Achievement Awards, including a "Best of Category" (Health) award presented for the "Portable Supports" program of Macomb County Community Mental Health. This program makes it possible for some individuals to live more independently, outside a supervised group home environment. NACo presents the awards annually, to counties across the country, for innovative programs that enhance service to citizens or improve county management, service or structure. In 2004, for the 23rd consecutive year, Macomb County received more NACo awards than any of the other 82 counties in Michigan. These awards are listed in the Macomb County Board of Commissioners Annual Report that is sent to all households in Macomb County.

Acknowledgments. The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has my sincere appreciation for the contribution made in the preparation of this report.

In closing, I would also like to thank the Macomb County Board of Commissioners for the leadership they have shown during the past year in supporting the operations of the County.

Sincerely,



David M. Diegel
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

MaComb County,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

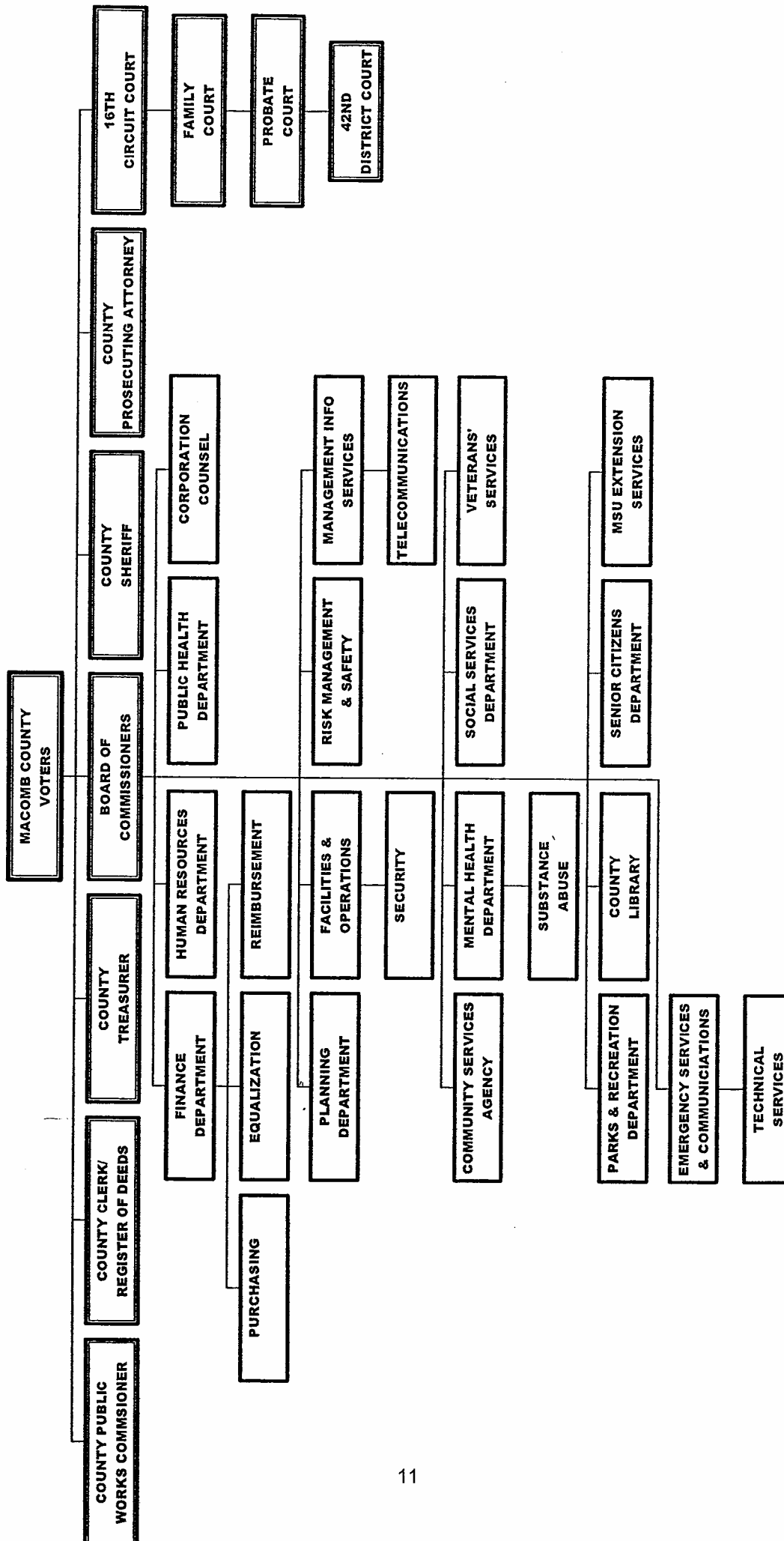
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

MACOMB COUNTY ORGANIZATION CHART



MACOMB COUNTY, MICHIGAN

Principal Officials

Officers of the Board of Commissioners

Chairperson	Nancy M. White
Vice-Chairperson	Joan Flynn
Sergeant-at-Arms	Leonard Haggerty
Clerk	Carmella Sabaugh
Corporation Counsel	George E. Brumbaugh

List of the Board of Commissioners

Andrey Duzyj, District 1	Brian Brdak, District 14
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Ed Szczepanski, District 11	Peggy A. Kennard, District 24
Peter J. Lund, District 12	Kathy D. Vosburg, District 25
Don Brown, District 13	Nicholyn A. Brandenburg, District 26

Elected County Officials

Prosecuting Attorney	Eric Smith
Sheriff	Mark A. Hackel
County Clerk/Register of Deeds	Carmella Sabaugh
Treasurer	Ted B. Wahby
Public Works Commissioner	Anthony V. Marroco

County Department Heads

Finance Director	David M. Diegel
Emergency Management & Communications Director	Louis Mioduszewski
Facilities & Operations Director	Lynn M. Arnott-Bryks
Director / Health Officer	Thomas Kalkofen
Management Information Services Director	Cyntia N. Zerkowski
Human Resources Director	Ted J. Cwiek
Planning & Economic Development Director	Stephen Cassin
Risk Management & Safety Director	Richard Gasowski
Community Services Agency Director	Frank T. Taylor
County Library Director	Darlene LaBelle
Senior Citizens Services Interim Director	Karen D. Bisdorf